SGI CANADA

Competing in Saskatchewan for your business

Through innovation, service and growth, SGI CANADA has become Saskatchewan's most valuable, most reliable and most trusted insurance company.

SGI CANADA is a leader when it comes to innovation. While our goals have remained the same throughout the years, we're always looking for new and creative ways to achieve them. Our solutions are always powerful, original and efficient - leading to better service for our customers.

SGI CANADA is committed to providing superior customer service. While our customer satisfaction surveys let us know we're providing good service, we're always looking for ways to improve. This consists primarily of setting specific targets, working to meet them and evaluating the results.

SGI CANADA is always searching for ways to grow our presence in Saskatchewan communities. We've worked over the past 55 years with independent brokers to have a presence in every community, and our work has paid off.

Since SGI CANADA opened its doors in 1945, we've made promises to the people of Saskatchewan. Through innovation, service and growth, we've been able to deliver on those promises in the past and we will continue to do so in the years to come.

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OUR VISION:

As a Saskatchewan based insurance company we will set the industry standard for being highly valued by our customers

OUR VALUES:

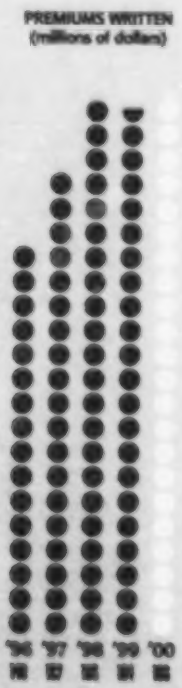
Integrity: Conducting ourselves with honesty, trust and fairness

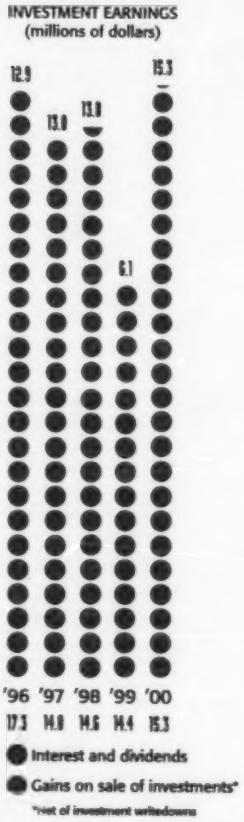
Caring: Acting with empathy, courtesy and respect

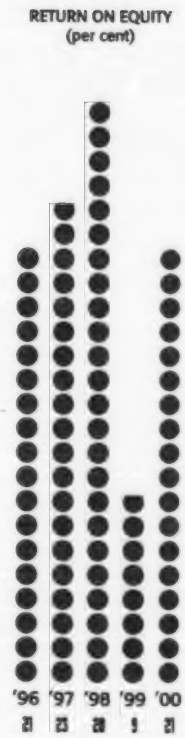
Innovation: Implementing creative solutions to achieve our vision

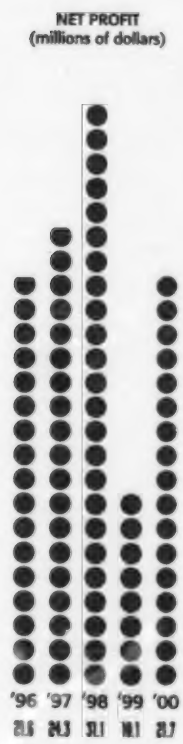
2000 HIGHLIGHTS

- SGI CANADA marked its 10th consecutive year of profitability in 2000 with a net profit of $37.7 million compared to $10.1 million in 1999. The increase was primarily due to the investment portfolio and a slight improvement in underwriting results.
- Premiums written in 2000 experienced a marginal growth of $1.3 million over 1999 to $165.5 million. This is noteworthy because the insurance markets that SGI CANADA operates in are still very competitive, with very little growth in premiums written over the past five years.
- SGI CANADA experienced strong returns on investments, with investment earnings that were significantly higher as compared to 1999. Consolidated investment earnings in 2000 of $30.6 million were a record for SGI CANADA. Gains on the sale of investments accounted for the majority of the increase over 1999.
- The Corporation experienced a return on equity in 2000 of 21%, as compared to 9% in 1999. The increase in investment earnings and a slight improvement in underwriting results are largely responsible for the increase.




INVESTMENT EARNINGS
(millions of dollars)
12.9
13.0
13.8
6.1
15.3
'96 '97 '98 '99 '00
17.3 14.8 14.6 14.4 15.3
Interest and dividends
Gains on sale of investments*
*net of investment writedowns


RETURN ON EQUITY
(per cent)
'96 '97 '98 '99 '00
21 23 28 9 21


NET PROFIT
(millions of dollars)
'96 '97 '98 '99 '00
21.6 24.3 32.1 10.1 21.7

Regina, Saskatchewan
March 2001

To Her Honour,
The Honourable Lynda Haverstock
Lieutenant Governor of the Province
of Saskatchewan

Your Honour:

I have the honour to submit herewith the annual report of Saskatchewan Government Insurance for the year ended December 31, 2000, including the financial statements in the form required by the Treasury Board and in accordance with the Saskatchewan Government Insurance Act.

I have the honour to be, Madam,

Your obedient Servant,

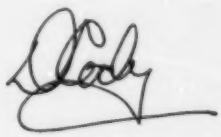
Maynard Sonntag

Honourable Maynard Sonntag
Minister Responsible for Crown Investments Corporation

101-04151/

SGI CANADA enjoyed another successful year, marking its 15th consecutive year of profitability. For the past 55 years, Saskatchewan has come to depend on SGI CANADA employees and our network of independent brokers to be there for them when disaster strikes. My thanks to staff and brokers for their dedication and hard work over the past year. It is because of them that SGI CANADA is able to maintain its reputation for providing excellent customer service and superior products at competitive prices.

I would like to thank the Board of Directors for their direction and support, which will continue to keep us on the right track in the years to come.



Donald W. Cody
Chair

Margaret Anderson
Systems

Cheryl Barber
Human Resources

Earl Cameron
Claims

Alan Cockman
Auto Fund

John Dobie
Finance and Administration

Randy Heise
Underwriting

Doug Campbell
Claims

Anna Lapierre
Auto Fund

Ken Lerner
Claims

Bob Lundy
Claims

Maureen MacCuish
Communications

Gerry Marsden
Underwriting

Bernadette McIntyre
Auto Fund

Arun Patel
Salvage

Jim Roberts
Underwriting

Lorne Whippler
Underwriting

Sherry Wolf
Claims

BOARD OF DIRECTORS

Standing (left to right):

P. James Mills
Insurance Broker, Mayor of Elrose, Sask.

Joan D. Bellegarde
Executive Director, File Hills Qu'Appelle Tribal Council, Fort Qu'Appelle, Sask.

Dana C. Stutsky
Insurance adjuster, Saskatoon, Sask.

J. Walter Bardua
Vice Chair, retired insurance professional, Nanaimo, B.C.

Nancy E. Hopkins
Lawyer, Saskatoon, Sask.

Dale Bloom
Corporate Secretary, Crown Investments Corporation, Regina, Sask.

Joan F. D. Baldwin
Doctor, Regina, Sask.

Sitting (left to right):

Donald W. Cody
Chair, Mayor of Prince Albert, Sask.

Larry Fogg
President and CEO of SGI, Regina, Sask.

Missing:

William J. A. Heidt
Business owner, Kelowna, B.C.

PRESIDENT'S LETTER

SGI CANADA had reason to be proud of its performance in 2000. It marked the [illegible] consecutive year of profitability and was [illegible] industry.

In 2000, we earned a profit of $21.7 million, with a good portion of that resulting from gains on sales of investments. Premiums written were close to $165.5 million, with claims totalling nearly $111.0 million, both of which are comparable to last year's results. Underwriting losses were $9.4 million.

Our combination of financial profits, superior products and outstanding customer service are what set SGI CANADA apart from our competitors. The outstanding customer service support we're able to provide to the people of Saskatchewan wouldn't exist without the cooperation of independent brokers. It's our team of brokers and employees that has given SGI CANADA an edge in the competitive market.

Our independent broker system allows us to provide affordable and reliable protection to the people of Saskatchewan, a tradition we plan to continue into 2001 and beyond. SGI CANADA is committed to the independent broker as our sole method of distribution of our products, and we will continue this tradition in the future.

Technology is an important tool for SGI CANADA and plays a role in much of what we do in the areas of underwriting, administration and marketing. SGI CANADA takes pride in its reputation as a leader in the insurance industry when it comes to technology. Our innovative approaches to satisfying customers' needs has enabled us to grow and prosper over the decades. SGI CANADA's Broker Interface, direct bill and GIS contribute to our success. The latest addition to our arsenal of technical tools is the broker extranet. To say it has been met with much enthusiasm would be an understatement. Broker extranet has become a huge success over the past year since it was unveiled at the annual Brokers' Convention in March. With the extranet, brokers have the most recent commercial riders at their fingertips - without having to search through stacks of paper.

Our commitment to Saskatchewan not only extends to the people we do business with, but also to the communities which we do business in. We've worked hard in partnership with our brokers to maintain community projects that were established in previous years, like our annual child restraint campaign. In 2000, 70 clinics were held across the province, where 2,555 car seats were checked. Hopefully, we can meet or beat these numbers in 2001.

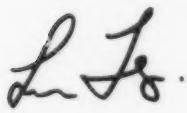
Once again, the SGI CANADA Charity Classic was a huge success. The annual curling bonspiel attracted about 10,000 curling fans, 64 men's teams and 16 women's teams to Regina. As well, more than 200 volunteers gave up their Thanksgiving weekend to help out at the event. Thanks to the volunteers, the athletes and curling fans, the Charity Classic raised $32,000 for the Kids Help Phone, an agency dedicated to safeguarding the health and welfare of Saskatchewan youth.

SGI CANADA also sponsored its first Charity Road Race in June in Regina. More than 200 people participated in the event that included a 2K Family Walk and, for more serious runners, a 5K race and a 10K race. Thanks to their participation, over $1,500 was raised for Chili for Children.

Like the Charity Classic, SGI CANADA hopes to make the Charity Road Race an annual event.

As we look back on 2000, SGI CANADA staff and brokers were faced with many challenges that were met head on. As we look ahead into 2001, Saskatchewan can count on SGI CANADA to continue to deliver on its promise of providing excellent service and superior products at affordable rates.

I thank all of our policyholders, independent brokers, shareholders and our employees for your continued support and your contributions to SGI's success.



Larry Fogg
President

SGI CANADA headed into the 21st century on a positive note. We marked our 15th consecutive year of profitability with a profit of $21.7 million. This was largely due to excellent investment earnings.

Consolidated investment earnings in 2000 of $30.6 million were a record for SGI CANADA, and were a $10.0 million increase over 1999's earnings.

A number of factors contributed to this year's underwriting results. Favourable summer weather conditions meant better claim results than forecasted. Offsetting those favourable conditions, the Auto Pak product did not perform well as a result of a continuing trend of higher claim costs.

Premiums written were consistent with 2000, bringing in $165.5 million, while claims and expenses were also virtually the same at $174.2 million.

While the commercial market is very competitive and rates are underpriced, SGI CANADA has managed to hold onto the majority of its business in this market.

Residents of Vanguard took a hard hit mid-July when a week of heavy rain and hail flooded roads, crops and homes. SGI CANADA staff were on site immediately to take in claims totalling nearly $2.0 million.

SERVICE

"Being highly valued by our customers" is part of our corporate vision. Each employee at SGI CANADA plays a role in every transaction we do at SGI. Each employee at SGI plays an important role in setting the Corporation apart from the competition, especially when it comes to interactions with customers.

For 55 years, SGI CANADA has maintained an outstanding reputation in the insurance industry for the way we approach customers during the claims process. Measuring success by customer satisfaction has greatly impacted the way we do business. We treat customers as individuals, while their claims are handled with efficiency, fairness and minimum hassle. Being ready to solve problems at the times when the customer needs us most is one of the ways we meet our customers' expectations, as well as our own service goals.

Our most recent survey shows that we're at 95% for customer satisfaction when processing general claims. We are committed to protecting and improving this rating by providing more customer service training to staff, ensuring staff apply this training and tracking the results of customer satisfaction surveys.

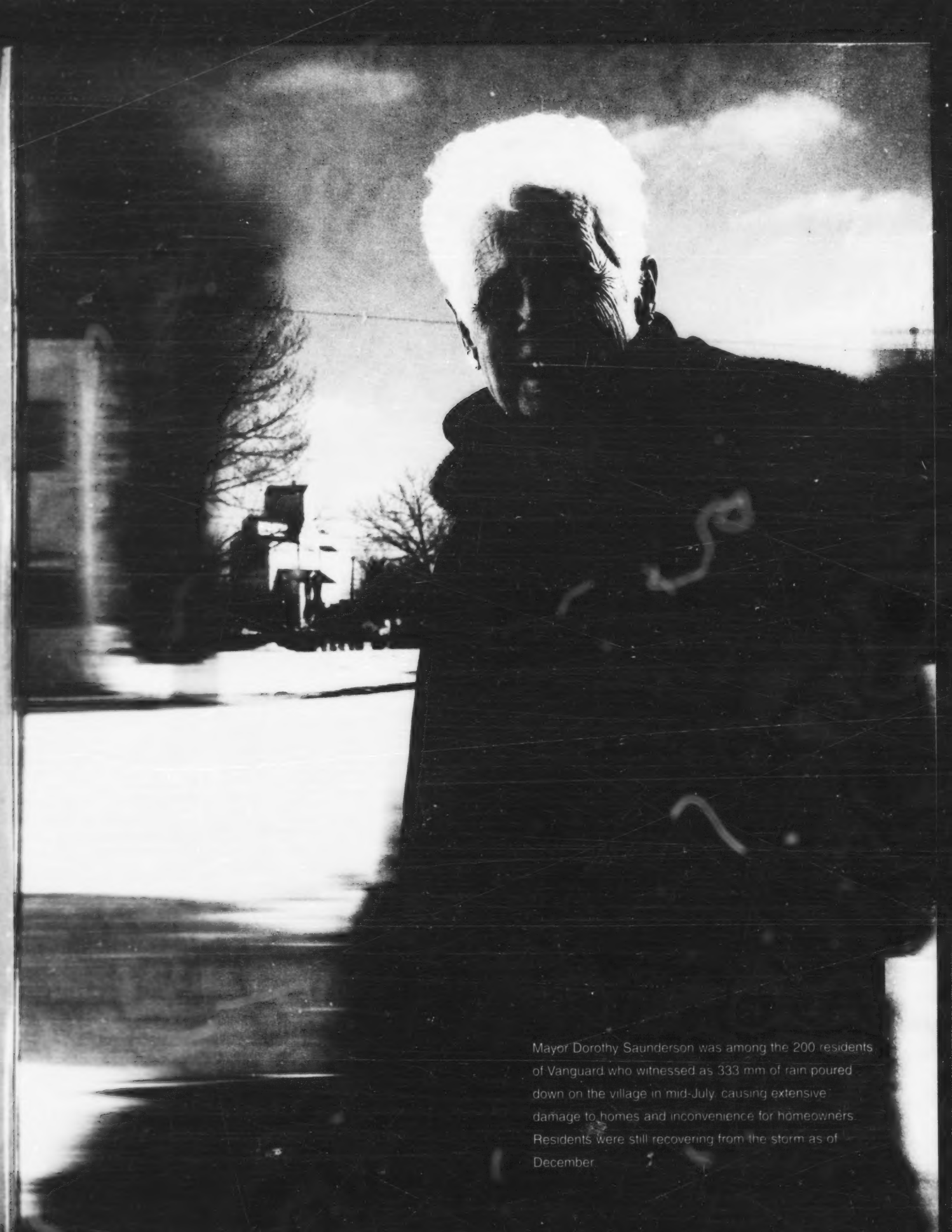
Customers benefit from excellent service from SGI CANADA employees and from our network of brokers. A week of heavy rain and severe hailstorms mid-July wiped out roads, crops and homes in the town of Vanguard.

Mayor Dorothy Saunderson was among the 200 residents of the village who watched in astonishment as 333 mm of rain poured down in 10 hours. The flooding continued for nearly a week, with SGI CANADA reporting nearly $2.0 million in claims. As of December, the town was still cleaning up from the flood.

"The help we got from everyone around the community was incredible. We did declare a state of emergency, and a large number of people did register for disaster assistance," said Vanguard Mayor Dorothy Saunderson. "It was very good that SGI CANADA was there to help those people who were able to file claims right after the storm. It was really rough. You can't visualize what it's like until you go through something like this yourself. It really is unbelievable."

"Residents in the area were very pleased that SGI CANADA was able to have staff on site immediately to guide them through the claims process," said Doug Campbell, SGI CANADA's Assistant Vice President of Claims. "SGI CANADA will always be there to help customers with their claims to get their lives back to normal as quickly and as hassle-free as possible."

Providing excellent service and superior products to our customers at affordable rates is a top priority at SGI CANADA. Many of our products have undergone improvements in past years, with many more planned for upcoming years. We will continue to adjust products to meet customer needs and changes in the market.



Mayor Dorothy Saunderson was among the 200 residents of Vanguard who witnessed as 333 mm of rain poured down on the village in mid-July, causing extensive damage to homes and inconvenience for homeowners. Residents were still recovering from the storm as of December.

In 55 years, SGI CANADA has grown to be one of the most competitive insurance companies in Canada. SGI's 1,500 employees together with our 338 brokers serve customers in every Saskatchewan community.

Independent brokers are vital to the insurance industry in Saskatchewan. Our network of independent brokers in Saskatchewan, Manitoba, Ontario and now Prince Edward Island, largely determines SGI CANADA's success. Their commitment to providing cost-effective and customer-oriented services has allowed SGI CANADA to grow into the diverse and expanded business that we are today.

We appreciate the cooperation we've received on many initiatives from the Insurance Brokers' Association of Saskatchewan (IBAS) - a voluntary organization of professional independent insurance brokers dedicated to maintaining superior standards in the province's insurance industry.

With the help of our independent brokers, SGI CANADA is able to expand its presence and support for community-based initiatives throughout Saskatchewan.

SCISL celebrated seven years in business this year and continues to follow its operating strategy of careful, controlled growth. In 2000, SCISL contributed $6.9 million in premiums to SGI CANADA.

SCISL Brokers	
Manitoba	45
Saskatchewan	10
Ontario	3

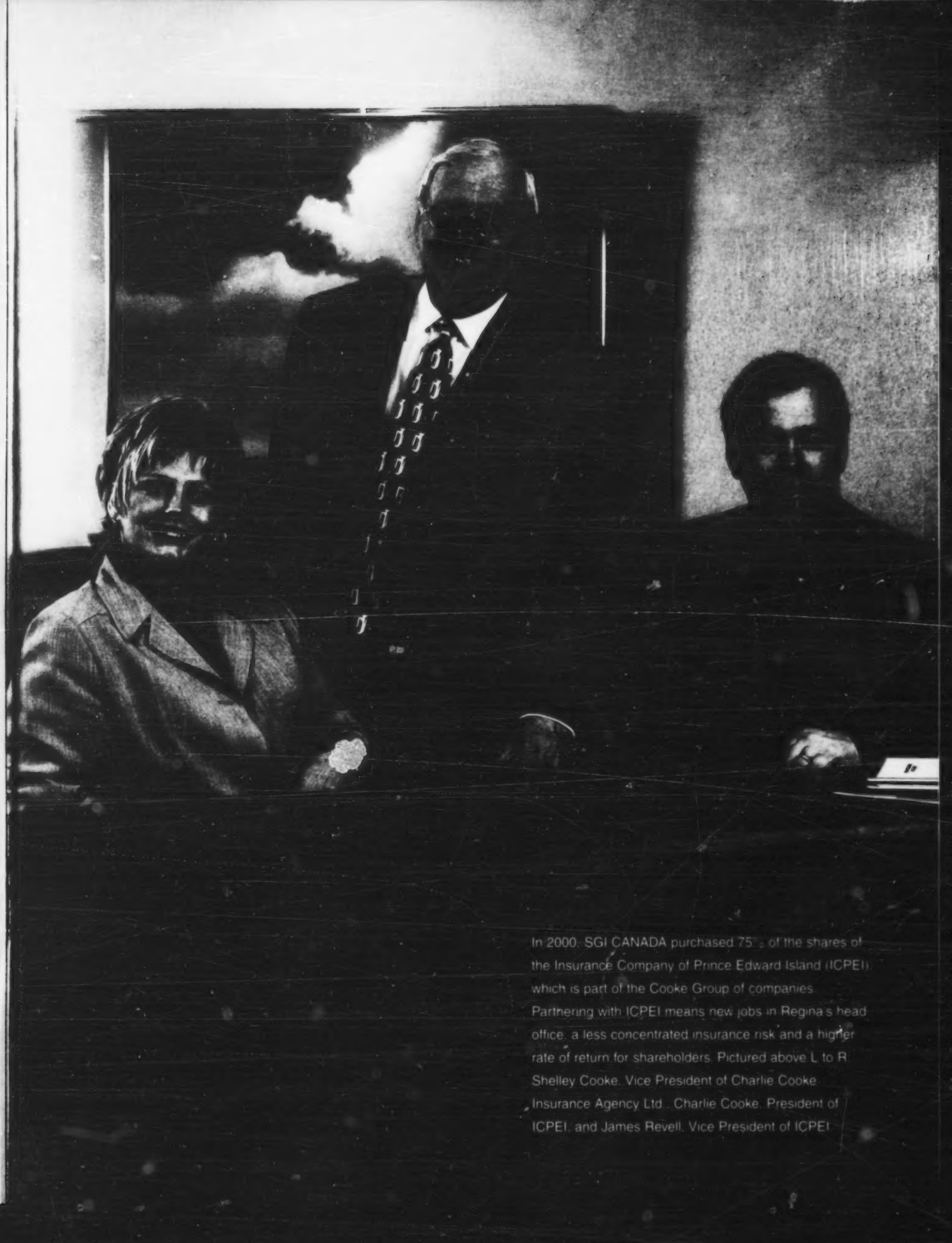
In 2000, SCISL continued to build on its foundation with the addition of five new brokers in Manitoba. With a premium growth rate of about 15% per year over the past four years, SCISL has become one of the top 15 insurance companies in Manitoba.

Manitoba brokers have rated SCISL as number one in the 2000 Insurance Brokers' Association of Manitoba (IBAM) Insurance Company Survey! SCISL received the highest overall approval rating with an average of 82.5%. These results are a testament to the hard work and dedication of SCISL employees.

In 2000, we were pleased to announce SCISL's expansion into the Maritimes. For an investment of $2.8 million, SGI CANADA purchased 75% of the shares of the Insurance Company of Prince Edward Island (ICPEI).

ICPEI, which was incorporated in 1987, is based in Charlottetown and is the sixth largest property and auto insurer in PEI - clearly demonstrating the success of ICPEI. SGI CANADA is pleased to partner with a successful, experienced company with a proven track record in that region.

Expansion into the Maritimes is in keeping with SCISL's plan of careful, controlled growth. This expansion in particular translates into new jobs being created in Regina's head office, our insurance risk will become less concentrated and we'll be able to generate a higher rate of return for Saskatchewan shareholders - good news all around.



In 2000, SGI CANADA purchased 75% of the shares of the Insurance Company of Prince Edward Island (ICPEI) which is part of the Cooke Group of companies. Partnering with ICPEI means new jobs in Regina's head office, a less concentrated insurance risk and a higher rate of return for shareholders. Pictured above L to R Shelley Cooke, Vice President of Charlie Cooke Insurance Agency Ltd., Charlie Cooke, President of ICPEI, and James Revell, Vice President of ICPEI

INNOVATION

We are always creating and evaluating new technologies that contribute to SGI CANADA's efficient and superior customer service. Our state-of-the-art General Insurance System, or GIS, was developed and implemented in the late 1990s and has provided a model for other insurance companies worldwide. The completion of GIS has led to the development of Broker Interface, which allows brokers to download policies electronically, in addition to receiving the data in hard copy format. Advantages to using Broker Interface are that information is readily available at an earlier date, and there is a time and cost savings for brokers since they are no longer required to key in the data themselves. There are now more than 40 brokers making use of this software.

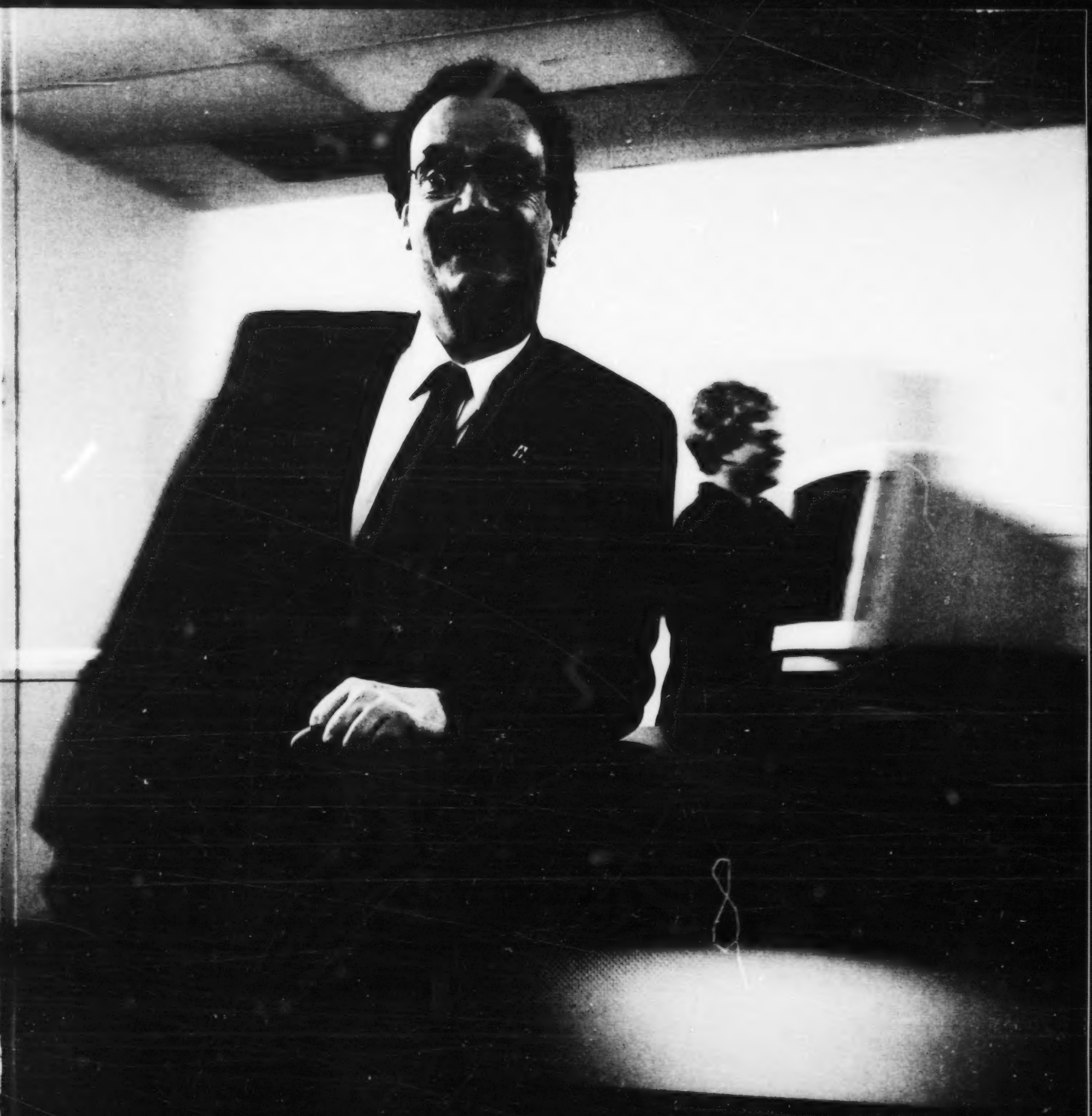
Direct bill is another service to brokers that SGI CANADA is currently implementing. Under direct bill, which is an optional service, all policy transactions will be sent directly by SGI CANADA to the policyholders of participating brokers.

The direct bill pilot project that was launched in 1999 completed its run this year. After evaluating the results and making the necessary adjustments, we are proud to offer direct bill to all brokers effective March 2001.

Brokers were pleased to hear in 2000 that e-mail access for all underwriting areas would be made available to all brokers. Broker e-mail was also made available to SCISL. Both SGI CANADA employees and brokers have found this service to be beneficial as it provides an alternative to written memos and allows instant communication.

This past year also saw the creation of SGI CANADA's broker extranet, which makes it quicker and easier for brokers to get the most current details on SGI CANADA's commercial riders without hassle. Rather than having to store paper copies in customer files and keep forms manuals updated, the most current details of SGI CANADA's commercial riders are now available to brokers by simply downloading them from the Internet.

Brokers who have computer systems and use the Internet will find that these tools help make their businesses more efficient and provide greater customer satisfaction. We hope to continue this trend of innovation in the future as we explore new ways to use technology to enhance business.



Hook Lafrance Insurance Ltd. in Regina was among the brokers to participate in the commercial riders extranet pilot project. Louis Lafrance, one of the brokerage's owners, says the broker extranet is "definitely a better way to do things."

COMMITMENT TO THE COMMUNITY

The eighth annual Charity Classic has grown from a three day event into five days of intense competition and top-notch entertainment. The 2000 Charity Classic featured a whopping 64 men's teams competing for $84,000 in prize money as well as a chance to advance to the Canadian Curling Trials. In 2001 the women's division featured 16 teams competing in the Casino Regina Women's Challenge for $15,000 in prize money. This year's Charity Classic was the most ambitious event SGI CANADA has sponsored.

The annual curling bonspiel attracted about 10,000 curling fans to Regina, and more than 200 volunteers worked hard to ensure the event was a success. Thanks to our brokers, the volunteers, the athletes and curling fans, the Charity Classic raised $32,000 for the Kids Help Phone's Saskatchewan operations. Kids Help Phone is the only national, toll-free, confidential counselling service available to children and youth 24 hours a day in both English and French.

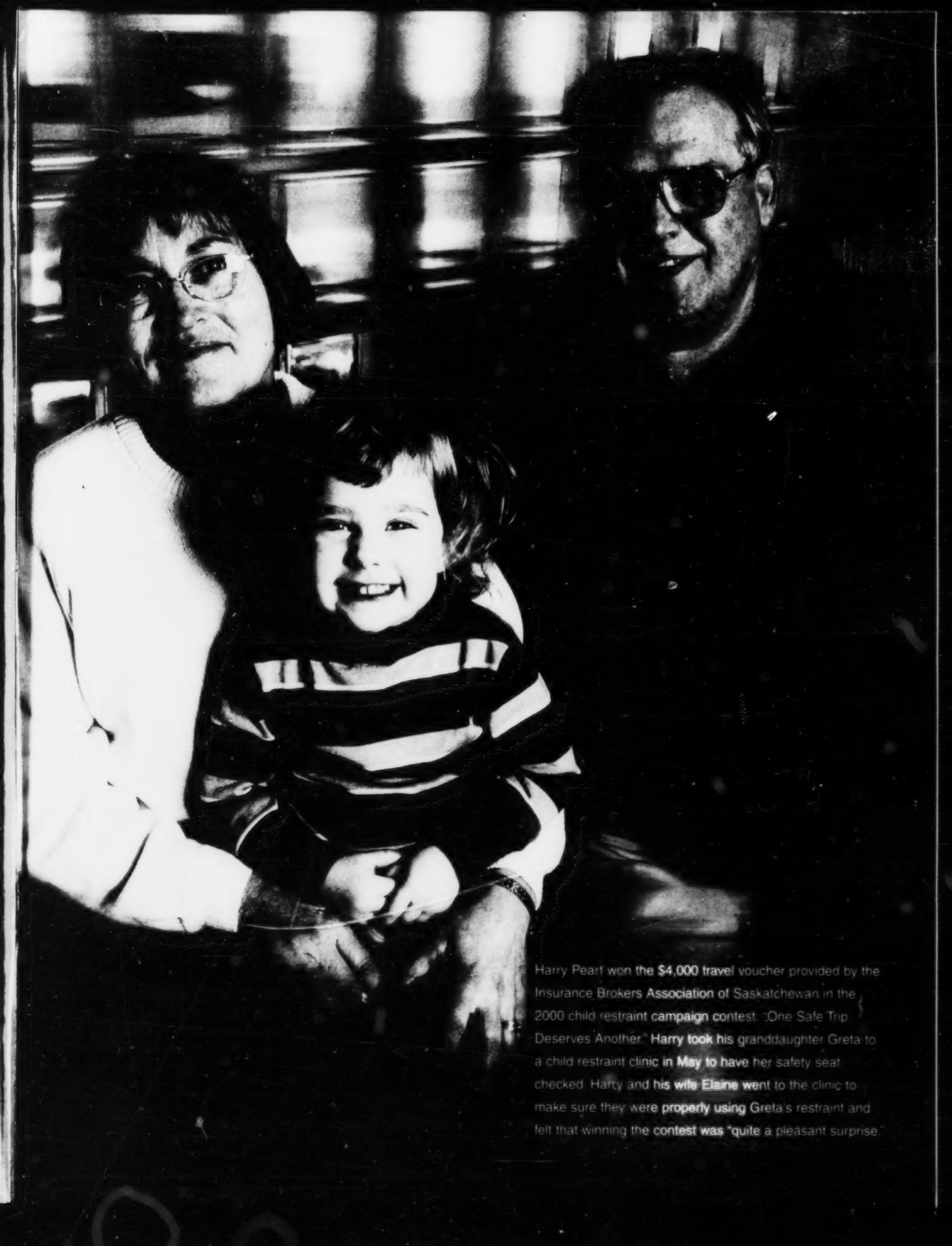
While expanding existing projects, SGI CANADA also looks to start new projects that will benefit Saskatchewan communities. This year we sponsored our first Charity Road Race in June, which will hopefully become an annual event like the Charity Classic. More than 200 people participated in the event, which had something for everyone. Families enjoyed the free Family Walk, while more serious runners took part in the 10K and 5K road races. Thanks to their participation, over $1,500 was raised for Chili for Children - a hot lunch program that serves nutritious meals to approximately 200 Regina inner-city children, three days a week.

Brokers who are trained to check child restraints were very helpful during the clinics, taking the initiative to check restraints and deliver information on child safety to parents and caregivers. With their help in 2000, there were 2,555 car seats checked at 70 free clinics across the province.

Once again IBAS and SGI CANADA offered a $4,000 travel voucher as an incentive for parents and caregivers to attend a child restraint clinic. In May, Harry Peart took his two-year-old granddaughter, Greta, and her safety seat to a child restraint clinic to ensure it was properly installed. While learning how to properly adjust Greta's seat according to her size, Peart entered a random draw for a $4,000 family travel voucher and won!

"We went to the clinic to make sure we were properly using Greta's restraint," said contest winner Harry Peart. "When you are transporting something as valuable as a grandchild it's important to get the right information. Winning the contest was quite a pleasant surprise!"

It is through events and sponsorships like these that SGI CANADA has become more than an insurance company. SGI CANADA not only gives support in the form of sponsorships, but also in the form of participation. SGI CANADA staff and brokers are active members of Saskatchewan's communities, participating in a wide range of community activities and projects in the areas of sports, the arts, culture and health.



Harry Peart won the $4,000 travel voucher provided by the Insurance Brokers Association of Saskatchewan in the 2000 child restraint campaign contest. "One Safe Trip Deserves Another." Harry took his granddaughter Greta to a child restraint clinic in May to have her safety seat checked. Harry and his wife Elaine went to the clinic to make sure they were properly using Greta's restraint and felt that winning the contest was "quite a pleasant surprise."

MANAGEMENT DISCUSSION & ANALYSIS

Introduction

The information in this discussion and analysis should be read in conjunction with SGI CANADA's (the Corporation's) consolidated financial statements and accompanying notes. This report is intended to assist the reader in understanding the financial position and operating results of the Corporation.

SGI CANADA is a provincially-owned Crown corporation that conducts a property/casualty insurance business in the Province of Saskatchewan, competing with over 130 other insurers. SGI CANADA Insurance Services Ltd. (SCISL), a subsidiary of SGI CANADA, sells insurance products in Manitoba and Ontario. SCISL was incorporated in 1990.

Overview of 2000

The consolidated net profit improved significantly in 2000, increasing to $21.7 million compared to $10.1 million in 1999. The increase was primarily from the investment portfolio combined with a slight improvement in underwriting results. Higher investment earnings in 2000 were a result of higher gains realized on the sale of equity investments.

SGI CANADA's subsidiary, SCISL, invested $2.8 million at the end of the year for a 75% ownership interest in a property and casualty insurance company in Prince Edward Island. The share transfer took place in early January and therefore the investment in the Insurance Company of Prince Edward Island (ICPEI) is recorded as a deposit in the 2000 financial statements. The acquired company writes more than $6.0 million of primarily auto and personal lines premiums annually, with all of the business in Prince Edward Island.

The total dividend declared in 2000 was $41.5 million (1999 - $9.1 million). The large dividend paid in 2000 was due to the increased profit along with a $22.0 million special dividend. SGI CANADA had accumulated a significant amount of retained earnings and was able to return $22.0 million to the shareholders, while remaining adequately capitalized.

Underwriting

The Corporation follows a disciplined underwriting approach in order to achieve underwriting profitability, however, many insurance companies attempt to gain market share by underwriting at under-priced rates. The industry is currently very competitive and rates have been reduced to extremely low levels in the market. The Corporation continues to emphasize customer service and operating efficiencies in order to maintain its market share.

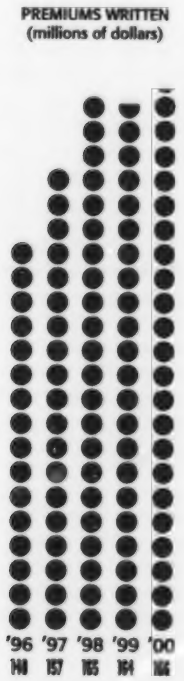
SGI CANADA underwrites property policies based on prior claims experience and the condition and replacement value of the property. Automobile policies are underwritten based on the owner's and driver's prior claim experience and driving record.

Prior to 1986, the Corporation wrote a book of reinsurance assumed business. Reinsurance assumed is the process of accepting a portion of insurance risks from other insurance companies. While this business has not been written since 1985, some of the business is long term in nature, and the costs are very unpredictable. Therefore, as more information becomes available on these claims, the Corporation has to adjust the reserves. When possible, the

Corporation commutes portions of the assumed business, which eliminates all claims exposure. In 2000, there was no increase in claims incurred associated with this business (1999 - $1.1 million reduction). The provision for unpaid claims relating to this business at the end of 2000 was $15.7 million (1999 - $17.9 million).

Premiums written

Premiums written in 2000 grew marginally to $165.5 million, a $1.3 million increase over 1999. The growth in 2000 was from the Auto products, somewhat offset by a decline in Commercial business. The insurance markets that SGI CANADA operates in are still very competitive as there has been very little premium growth the past three years.



Claims incurred

Consolidated claims incurred were $111.0 million in 2000, a $1.0 million decrease over last year. The decline in claim costs is largely due to a reduction in storm-related costs, which were $4.8 million in 2000 compared to $7.1 million in 1999. This decline was partially offset by increased automobile claim costs.

The Corporation establishes provisions for unpaid claims as they are reported. After they are established, the provision is adjusted as more information becomes available about the claim. With the assistance of an external actuary, a provision is also established for future development on reported claims and claims that have not yet been reported.

Determining future development on reported claims and unreported claims is based on historical claim experience and other factors such as future inflation expectations, court decisions and economic conditions. The provision for claims that are paid out fairly quickly, such as property claims, is generally easier to determine than claims that take several years to settle, such as liability claims, which can be very difficult to predict. The development on prior year claims in 2000 represented 2.5% of total claims incurred compared to 4.5% last year.

Insurance regulators and the Canadian Institute of Actuaries (CIA) have different standards for discounting claim liabilities to recognize the time value of money. The Corporation follows the standard of insurance regulators, which only allows discounting of certain claim liabilities, while the CIA's standard requires discounting of all claim liabilities. Because of the discrepancy between the two methods, the CIA's policy is to provide a qualification in the actuary's report.

Expenses excluding claims incurred

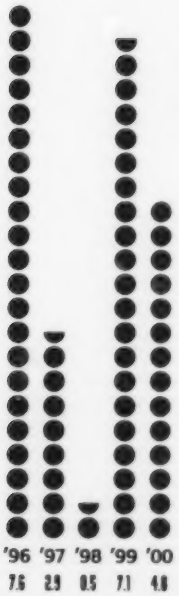
Total expenses were $63.2 million in 2000, a 1.6% increase over 1999. The increase was mainly attributable to a 1% increase in the Saskatchewan Premium Tax Rate effective April 1, 2000.

Investments

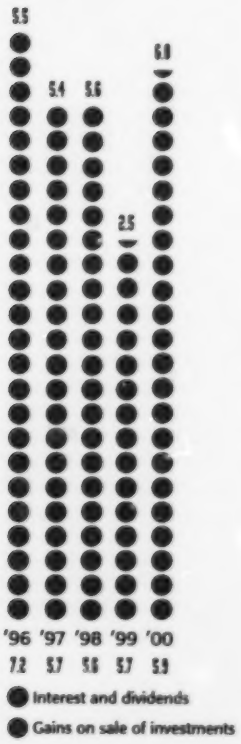
Insurance companies hold funds in reserve for unearned premiums and unpaid claims. These funds, in addition to the company's equity base, form a large pool of assets used for investment purposes. Earnings from the investment portfolio supplement earnings from insurance operations. Because a portion of these funds are held only for short periods, and because of the unpredictability of large cash outflows due to weather, an insurance company must take a more short-term investment approach compared to a pension plan, which invests its funds for longer periods. The Corporation records only the appreciation in market value of its investments on their sale, unlike pension plans that are required to record their investments at market value. The unrealized gains in the investment portfolio at the end of 2000 were $19.4 million, compared to $24.8 million in 1999.

Consolidated investment earnings in 2000 of $30.6 million were a record for SGI CANADA and were significantly higher than 1999's earnings of $20.5 million. Gains realized on the sale of equity investments accounted for the majority of the increase over 1999 ($6.3 million) along with higher gains on the sale of bonds ($2.9 million).

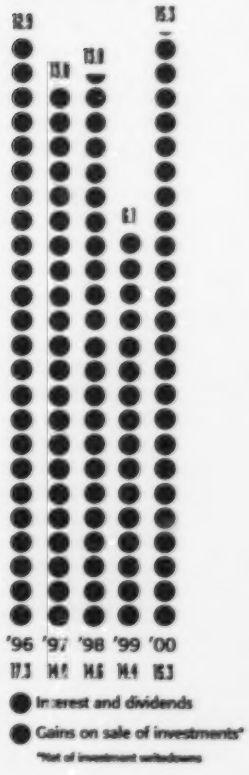
STORM CLAIMS INCURRED
(millions of dollars)



RETURN ON INVESTMENTS
(per cent)



INVESTMENT EARNINGS
(millions of dollars)



Performance measurement ratios

Return on equity is a measurement of profit earned relative to the equity invested by the shareholders in the Corporation. The pre-tax return on equity in 2000 was 21%, compared to 9% in 1999. The increase was a result of an increase in investment earnings and a slight improvement in underwriting results. The 2000 return of 21% was slightly higher than SGI CANADA's 10-year average return of 20% and considerably higher than the industry pre-tax return for the past 10 years of 13%.

Loss ratio is an insurance industry measurement expressing claims incurred as a percentage of premiums earned. The loss ratio on current operations decreased marginally in 2000 to 67% from 68% in 1999. The decrease is mainly due to decreased storm-related claim costs.

The **combined ratio** is a measurement of total expenses (including claims) in relation to premiums earned. Insurance companies attempt to achieve a ratio of less than 100%, which would result in an underwriting profit. The Corporation's 2000 combined ratio is 106%, essentially the same as last year.

Net risk ratio is an industry measurement, which is the ratio of net premiums written to equity, and gives some indication of a company's financial strength to support the insurance business that it writes. The lower the ratio, the better the insurance company's financial resources can withstand adverse underwriting results. The net risk ratio in 2000 was 1.9, compared to 1.6 last year. The increased ratio is mainly due to the $22.0 million special dividend payment in 2000.

Reinsurance

Reinsurance is the process of passing part of a risk or risks from one insurance company to another insurance company (the reinsurer). Two of the key reasons for reinsuring are increasing the insurance company's capacity to write business and providing greater stability by reducing fluctuations in financial results due to large individual losses or catastrophic events.

The Corporation purchases a variety of proportional and excess reinsurance contracts that provide coverage on a per risk or per event basis to limit exposure from large single losses or catastrophic events. Reinsurers are carefully selected with an emphasis on continuity and long-term relationships. Solvency of reinsurers is paramount in this process.

Liquidity

Given the Corporation's reinsurance program to protect against major catastrophes and its liquid investment portfolio, the Corporation is confident there is sufficient cash to meet all financial obligations as they fall due. In 2000, cash inflows from insurance operations provided $15.2 million in cash compared to $18.1 million in 1999. As of Dec. 31, 2000, the Corporation's investment base was $249.2 million, consisting mainly of treasury bills, government and corporate bonds and common shares of Canadian companies.

Risk management

The following issues and risks, among others, should be considered when evaluating the Corporation:

Catastrophe exposure

Property and casualty insurers are subject to losses arising from catastrophic events. With the Corporation having a significant portion of the Saskatchewan property insurance market, it is susceptible to large losses from major storms in Saskatchewan. To contain this risk, the Corporation purchases catastrophe reinsurance protection that reduces the potential impact from major losses as a result of catastrophic events. While the Corporation has a heavier geographic concentration of risk than other major insurance companies in Canada, it is less susceptible than other insurance companies to catastrophes from earthquakes and hurricanes because of the location of its insurance business.

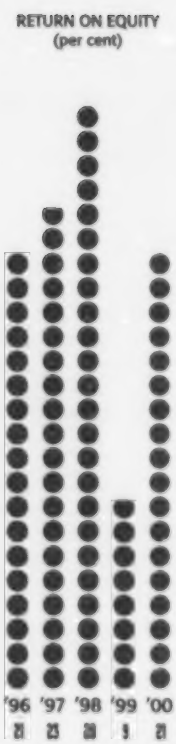
To reduce the concentration of risk, the Corporation began expanding beyond Saskatchewan's borders in the early '90s. Through its subsidiary, SCISL, it was granted a licence in 1993 to sell insurance in Manitoba. It received an Ontario licence in 1995. Premiums from outside Saskatchewan now account for 4% of the premium base with the majority being from Manitoba.

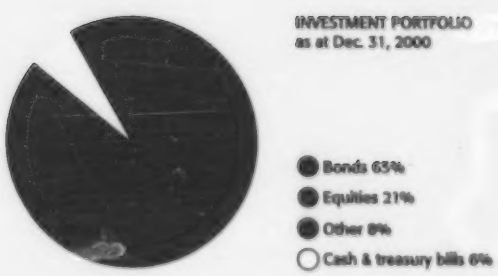
Competition

The insurance industry in Canada is very competitive and continues to underwrite its insurance operations at a loss. As well, prices in the industry can be very cyclical. When rates become profitable, some insurers begin dropping rates to obtain market share and will reduce rates to unprofitable levels. The Corporation's strategy is to maintain its underwriting principles. This may result in some reduction in premiums until prices return to acceptable levels. Competition also exists from insurers with different distribution channels, such as direct writers and chartered banks.

Provision for unpaid claims

The Corporation maintains a provision for unpaid claims to cover its liability for future payments on these claims. The provision includes an estimate for future development on reported claims and an estimate for claims that have not yet been reported to the Corporation. These provisions are estimates, and the ultimate payment on these claims may differ from the estimate.





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Investment returns

The majority of the Corporation's profit is derived from the investment portfolio. Returns from capital markets are uncertain and fluctuate from year to year. To mitigate the fluctuations, the Corporation maintains a well-diversified investment portfolio and utilizes the services of three investment managers.

Each investment manager follows the guidelines established in the Investment Policy and Objectives, which provides the manager with a guideline for the quality, quantity and rate of return standards for the portfolio. The Investment Policy and Objectives for each fund manager are reviewed annually by management and approved by the Board of Directors. Fund managers produce quarterly reports on the performance of assets under their management that are reviewed by corporate management and the Finance and Investment Committee of the Board of Directors. As well, the Corporation utilizes the services of an investment consultant to independently review and report on the performance of the investment managers.

Looking forward

Intense competition for commercial business is expected to continue in 2001 with many insurance companies attempting to gain market share by offering under-priced rates. SGI CANADA will continue its strategy of providing strong customer service in order to maintain market share rather than trying to cut already under-priced rates.

The acquisition of ICPEI will help grow the premium base and reduce the consolidated combined ratio. Merging the administrative operations of the acquired company will be a major initiative for the Corporation in 2001.

CROWN SECTOR STRATEGIC PLANNING

In 1999, CIC and its subsidiaries, including SGI CANADA, jointly developed a Crown Sector Strategic Plan to provide long-term direction to the Crown sector. The plan includes a Crown sector vision statement, primary business purposes, common business values and strategic business objectives.

Each Crown has developed its business plan to support the five Crown sector strategic objectives of: Customer Service, Financial Health, Mandate & Role, Public Purpose and Human Resources.

SGI CANADA uses the Balanced Scorecard methodology as a performance management tool to monitor short and long-term strategic objectives in five areas: financial, customer, internal business processes, innovation and growth and public policy. For each strategic objective, short and long-term targets are developed and monitored on an ongoing basis.

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CROWN SECTOR STRATEGIC PLANNING

SGI CANADA is a subsidiary of the Crown Investments Corporation of Saskatchewan (CIC), the holding company for commercial Crown corporations.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

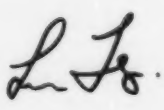
The consolidated financial statements are the responsibility of management and have been prepared in conformity with accounting principles generally accepted in Canada. In the opinion of management, the consolidated financial statements fairly reflect the financial position, results of operations and cash flows of Saskatchewan Government Insurance (the Corporation) within reasonable limits of materiality.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of the Corporation. Management maintains an extensive system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The adequacy and operation of the control systems are monitored on an ongoing basis by an internal audit department.

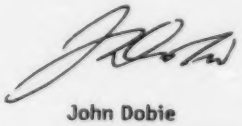
An actuary has been appointed by the Corporation to carry out a valuation of the policy liabilities in accordance with accepted actuarial practice and common Canadian insurance regulatory requirements. The policy liabilities consist of a provision for unpaid claim and adjustment expenses on the earned portion of policies and of future obligations on the unearned portion of policies. In performing this valuation, the actuary makes assumptions as to future rates of claim frequency and severity, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the Corporation and the nature of the insurance policies. The actuary also makes use of management information provided by the Corporation and the work of the external auditors in verifying the data used in the valuation.

The consolidated financial statements have been examined and approved by the Board of Directors. An Audit Committee, composed of members of the Board of Directors, meets periodically with financial officers of the Corporation and the external auditors. These external auditors have free access to this Committee, without management present, to discuss the results of their audit work and their opinion on the adequacy of internal financial controls and the quality of financial reporting.

As appointed by the Lieutenant Governor in Council and approved by Crown Investments Corporation of Saskatchewan, KPMG have been appointed external auditors. Their responsibility is to report to the Members of the Legislative Assembly regarding the fairness of presentation of the Corporation's financial position and results of operations as shown in the consolidated financial statements. In carrying out their audit, the external auditors also make use of the work of the actuary and his report on the policy liabilities. The Auditors' Report outlines the scope of their examination and their opinion.



Larry Fogg
President



John Dobie
Vice President
Finance and Administration

February 12, 2001

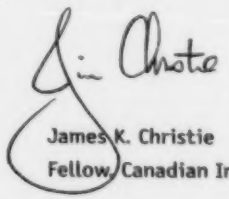
ACTUARY'S REPORT

To the Board of Directors of
Saskatchewan Government Insurance

I have valued the policy liabilities of Saskatchewan Government Insurance for its consolidated statement of financial position at December 31, 2000 and their change in the statement of income for the year then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods, except as described in the following paragraph.

In accepted actuarial practice, the valuation of policy liabilities reflects the time value of money. Common insurance regulatory practice requires that the valuation of some policy liabilities not reflect the time value of money. My valuation complies with that practice. The provision for unpaid claims carried by the company on the statement of financial position is $125,470,000 on a gross basis and $119,100,000 on a net basis. The provision for unpaid claims according to accepted actuarial practice is $116,399,000 on a gross basis and $110,402,000 on a net basis.

In my opinion, except as noted in the previous paragraph, the amount of policy liabilities makes appropriate provision for all policyholder obligations and the financial statements fairly present the results of the valuation.



James K. Christie
Fellow, Canadian Institute of Actuaries

February 12, 2001

AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have examined the consolidated statement of financial position of Saskatchewan Government Insurance as at December 31, 2000 and the consolidated statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Regina, Canada

February 12, 2001

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2000	1999
	(THOUSANDS OF $)	
Assets		
Cash and treasury bills (note 3)	$ 18,081	$ 27,886
Accounts receivable (note 4)	38,640	36,494
Deferred policy acquisition costs	22,972	21,934
Unpaid claims recoverable from reinsurers (note 8)	6,370	8,950
Reinsurers' share of unearned premiums	4,133	3,650
Investments (note 5)	229,448	227,720
Net investment in capital lease (note 6)	3,726	3,925
Capital assets (note 7)	13,912	16,995
	$ 338,282	$ 347,554
Liabilities		
Accounts payable and accrued charges	$ 8,799	$ 7,858
Dividend payable	1,770	94
Premium taxes payable	8,116	6,706
Amounts due to reinsurers	2,466	2,991
Provision for unpaid claims (note 8)	125,470	122,395
Unearned reinsurance commissions	978	987
Unearned premiums	91,322	90,133
	238,921	231,164
Non-controlling interest	3,802	3,733
Province of Saskatchewan's equity		
Equity advances (note 9)	55,000	55,000
Retained earnings	37,829	57,657
	92,829	112,657
	$ 335,232	$ 347,554
(see accompanying notes)		

CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

	2000	1999
	(THOUSANDS OF $)	
Premiums written	$ 165,523	$ 164,183
Premiums earned (note 10)	$ 164,818	$ 163,872
Claims incurred (note 10)	110,999	112,001
Commissions (note 10)	31,883	31,630
Premium taxes (note 10)	7,110	6,595
Administrative expenses (note 10)	24,195	23,962
Total claims and expenses	174,187	174,188
Underwriting loss	(9,369)	(10,316)
Investment earnings (note 11)	30,869	20,549
Net profit, before the following:	21,500	10,233
Income taxes	(269)	37
Non-controlling interest	(231)	88
Net profit	21,795	10,108
Retained earnings, beginning of year	57,687	56,646
Dividend	(41,945)	(9,097)
Retained earnings, end of year	$ 37,537	$ 57,657
(see accompanying notes)		

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31	2000	1999
	(THOUSANDS OF $)	
Assets		
Cash and treasury bills (note 3)	$ 16,051	$ 27,886
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	$ 335,252	$ 347,554
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	92,829	112,657
	$ 335,252	$ 347,554
(see accompanying notes)		

CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

year ended December 31	*2000*	*1999*
	(THOUSANDS OF $)	
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Premiums earned (note 10)	**$ 164,818**	$ 163,872
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Underwriting loss	**(9,369)**	(10,316)
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Net profit, before the following:	**21,200**	10,233
Income taxes	(289)	37
Non-controlling interest	(231)	88
Net profit	**21,720**	10,108
Retained earnings, beginning of year	57,657	56,646
Dividend	(41,548)	(9,097)
Retained earnings, end of year	**$ 37,829**	$ 57,657
(see accompanying notes)		

CONSOLIDATED STATEMENT OF CASH FLOWS

year ended December 31	2000	1999
	(THOUSANDS OF $)	
Cash provided by (used for) operating activities		
Net profit	$ 21,720	$ 10,108
Non-cash items:		
Amortization	3,164	3,619
Realized gain on disposal of investments and capital assets	(16,204)	(7,081)
Investment write downs	997	960
Income (loss) attributable to non-controlling interest	(231)	88
(Income) loss from equity investment	710	(239)
Change in non-cash operating items:		
Accounts receivable	(2,146)	3,207
Deferred policy acquisition costs	(1,038)	(390)
Unpaid claims recoverable from reinsurers	2,580	747
Reinsurers' share of unearned premiums	(483)	(154)
Accounts payable and accrued charges	941	(1,440)
Premium taxes payable	1,410	(50)
Amounts due to reinsurers	(525)	(1,184)
Provision for unpaid claims	3,075	9,341
Unearned reinsurance commissions	(9)	62
Unearned premiums	1,189	465
	15,150	18,059
Cash provided by (used for) investing activities		
Purchases of investments	(232,062)	(287,931)
Proceeds on sale of investments	258,273	280,482
Repayment of capital lease	199	180
Purchases of capital assets	(204)	(334)
Proceeds on disposal of capital assets	226	42
	26,432	(7,561)
Cash used for financing activities		
Dividends paid	(39,871)	(11,998)
Increase (decrease) in cash and cash equivalents	1,711	(1,500)
Cash and cash equivalents:		
Balance, beginning of year	11,509	13,009
Balance, end of year	13,220	11,509
Plus treasury bills greater than 91 days to maturity from acquisition date	2,831	16,377
Cash and treasury bills per statement of financial position	$ 16,051	$ 27,886

(see accompanying notes)

CONSOLIDATED STATEMENT OF CASH FLOWS

	2000	1999
	(THOUSANDS OF $)	
Cash provided by (used for) operating activities		
Net profit	$ 21,720	$ 10,108
Non-cash items:		
Amortization	3,164	3,619
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Premium taxes payable	1,410	(50)
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Purchases of capital assets	(204)	(334)
Proceeds on disposal of capital assets	226	42
	26,432	(7,561)
Cash used for financing activities		
Dividends paid	(10,871)	(11,998)
Increase (decrease) in cash and cash equivalents	1,711	(1,500)
Cash and cash equivalents:		
Balance, beginning of year	11,509	13,009
Balance, end of year	13,220	11,509
Plus treasury bills greater than 91 days to maturity from acquisition date	2,661	16,377
Cash and treasury bills per statement of financial position	$ 15,881	$ 27,886

(see accompanying notes)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000

1. STATUS OF THE CORPORATION

Saskatchewan Government Insurance (the Corporation), which operates under the trade name of SGI CANADA, was established as a branch of the Public Service by the *Government of Saskatchewan Insurance Act*, 1944, reorganized pursuant to the *Saskatchewan Government Insurance Act*, 1946, and continues under the provisions of the *Saskatchewan Government Insurance Act*, 1980.

The Corporation conducts a property/casualty insurance business in the Province of Saskatchewan under the provisions of its Act and also acts as administrator of the Saskatchewan Auto Fund (the Fund) under the provisions of the *Automobile Accident Insurance Act* (Chapter A-35, Revised Statutes of Saskatchewan, 1978).

As a subsidiary of Crown Investments Corporation of Saskatchewan (CIC), the financial results of the Corporation are included in the consolidated financial statements of CIC. The Corporation is a provincial Crown corporation and as a result is not subject to federal or provincial income taxes. The Corporation's subsidiary, SGI CANADA Insurance Services Ltd. (SCISL), which operates in provinces other than Saskatchewan, is subject to federal and provincial income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Corporation are in accordance with Canadian generally accepted accounting principles. The following are considered to be significant:

Consolidation

The consolidated financial statements include the accounts of the Corporation and its 53% owned subsidiary, SCISL. All intercompany accounts and transactions have been eliminated on consolidation.

Deferred policy acquisition costs

Premium taxes, commissions and certain underwriting and policy issuance costs are charged to expense over the terms of the insurance policies to which such costs relate. The method followed in determining the deferred policy acquisition costs limits the amount of the deferral to the amount recoverable from unearned premiums after giving consideration to investment income, as well as claim and adjustment expenses expected to be incurred as the premiums are earned.

Investments

Bonds, debentures and mortgages are recorded at amortized cost. Treasury bills, common shares and pooled funds are recorded at cost. Investments are written down when there is a decline in value that is other than temporary. Dividends on common shares are recognized as income on their record dates. Gains and losses on the sale of investments are recognized on the date of settlement.

The Corporation has 9% ownership in a crop hail insurance business and indirectly controls an additional 27% of the business through preferred share ownership in other crop hail insurance companies. The investment is recorded on the equity basis, whereby the carrying value of the investment is adjusted by the Corporation's share of the hail business earnings or losses and reduced by cash received.

Capital lease

Investment earnings related to the direct financing lease are recognized in a manner that produces a constant rate of return on the investment in the lease. The net investment in the lease is composed of net minimum lease payments less unearned finance income.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded on a straight-line basis, commencing in the year in which the assets are placed in service, over their estimated useful lives as follows:

Building	$2\frac{1}{2}\%$
Computer hardware, system costs and other equipment	$20 - 33\frac{1}{3}\%$

Provision for unpaid claims

The provision for unpaid claims represents an estimate of the total cost of claims to the year-end date. Included in the estimate are reported claims, claims incurred but not reported and an estimate of adjustment expenses to be incurred on these claims. The provision is calculated without discounting except for long-term disability claims. The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes. During the life of the claim, adjustments to the estimates are made as additional information becomes available. The change in outstanding losses plus paid losses is reported as claims incurred in the current period.

Premiums

Premiums written are taken into income over the terms of the related policies. Unearned premiums represent the portion of the policy premiums relating to the unexpired term of each policy.

Reinsurance ceded

Reinsurance premiums ceded and reinsurance recoveries on losses incurred are recorded as reductions of the respective income and expense accounts.

Unpaid claims recoverable from reinsurers, reinsurers' share of unearned premiums and unearned reinsurance commissions are estimated in a manner consistent with the method used for determining the provision for unpaid claims, unearned premiums and deferred policy acquisition costs respectively.

Foreign currency translation

Monetary items denominated in foreign currency are translated at the exchange rate in effect at the year end. Investments, revenues and expenses are translated at the exchange rate in effect at the transaction date. Unrealized gains and/or losses arising on translation are charged to operations in the current year.

Cash and cash equivalents

Cash and cash equivalents in the cash flow statement consist of cash on hand and treasury bills with a maturity of 91 days or less from the date of acquisition.

Pension costs and obligations

The Corporation maintains a defined benefit pension plan and a defined contribution pension plan which provide retirement benefits for its employees. For the defined benefit plan, the market value of pension

assets is determined based on a five-year moving average of the market value of the investments. Pension obligations are determined by an independent actuary using the projected benefit method prorated on service and management's best estimate assumptions. Past service costs, experience gains and losses and plan amendments are amortized on a straight-line basis over the expected average remaining service lives of the employee groups covered by the plan.

3. CASH AND TREASURY BILLS

Cash and treasury bills, which comprise treasury bills and commercial paper, have an average effective interest rate of 5.7% (1999 - 5.0%) and an average remaining term to maturity of 23 days (1999 - 83 days). The Corporation's investment policy states that securities investments must meet minimum investment standards of R-1, or R-2 high for Canadian grain companies, as rated by a recognized credit rating service.

Holdings for any one issuer, other than the Government of Canada or a Canadian province, are limited to 10% of the market value of the short-term portfolio.

4. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

	1999
	(THOUSANDS OF $)
Due from brokers	$ 19,916
Financed premiums receivable	11,141
Due from the Fund	–
Accrued investment income	1,482
Due from reinsurers	1,685
Other	2,270
Total accounts receivable	$ 36,494

5. INVESTMENTS

The components of the Corporation's investments are as follows:

			1999	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(THOUSANDS OF $)			
Bonds and debentures			$ 127,823	$ 125,588
Pooled bond fund			46,387	46,378
Common shares			31,852	52,796
Pooled equity fund			10,507	16,607
Mortgages			7,658	7,642
			224,227	$ 249,011
Investment in crop hail insurance			3,493	
Deposit on investment in ICPEI			–	
Total investments			$ 227,720	

assets is determined based on a five-year moving average of the market value of the investments. Pension obligations are determined by an independent actuary using the projected benefit method prorated on service and management's best estimate assumptions. Past service costs, experience gains and losses and plan amendments are amortized on a straight-line basis over the expected average remaining service lives of the employee groups covered by the plan.

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Holdings for any one issuer, other than the Government of Canada or a Canadian province, are limited to 10% of the market value of the short-term portfolio.

4. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

	2000	1999
	(THOUSANDS OF $)	
Due from brokers	$ 20,199	$ 19,916
Financed premiums receivable	12,254	11,141
Due from the Fund	2,019	–
Accrued investment income	1,706	1,482
Due from reinsurers	110	1,685
Other	2,352	2,270
Total accounts receivable	$ 38,640	$ 36,494

5. INVESTMENTS

The components of the Corporation's investments are as follows:

	2000		1999	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(THOUSANDS OF $)			
Bonds and debentures	$ 114,948	$ 118,073	$ 127,823	$ 125,588
Pooled bond fund	47,044	48,019	46,387	46,378
Common shares	40,356	54,910	31,852	52,796
Pooled equity fund	10,810	11,477	10,507	16,607
Mortgages	10,738	10,816	7,658	7,642
	223,896	$ 243,295	224,227	$ 249,011
Investment in crop hail insurance	2,784		3,493	
Deposit on investment in ICPEI	2,768		–	
Total investments	$ 229,448		$ 227,720	

Details of significant terms and conditions, exposures to interest rate and credit risks of investments are as follows:

(i) Bonds and debentures:

The Corporation's investment policy limits its investment concentration in any one investee or related group of investees to 10% of the market value of investment assets for corporate bonds and debentures and 20% for bonds and debentures issued by any one province. A minimum of BBB is placed on the investment grade of bonds and debentures that may be purchased.

The carrying value and average effective interest rates are shown below by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties. The carrying values are essentially the same as the principal value and therefore the average effective rates are not materially different from the coupon rates. Interest is generally receivable on a semi-annual basis.

	2000		1999	
Term to Maturity (years)	Carrying Value	Average Effective Rates	Carrying Value	Average Effective Rates
	(THOUSANDS OF $)			
Government of Canada:				
After one through five	$ 29,982	5.9%	$ 28,948	5.8%
After five	34,694	5.7%	55,541	5.8%
Canadian provincial & municipal:				
One or less	–	–	804	5.3%
After one through five	7,390	6.2%	7,078	5.7%
After five	15,382	6.1%	12,588	6.1%
Canadian corporate:				
One or less	–	–	474	6.1%
After one through five	12,295	6.6%	11,404	6.2%
After five	15,205	7.1%	10,986	6.9%
Total bonds & debentures	$ 114,948		$ 127,823	

Included in bonds and debentures above are bonds denominated in United States dollars with a carrying value of $603,000 (1999 - $2,085,000). Principal and interest is receivable on a semi-annual basis in United States dollars. In order to minimize the risk of foreign exchange fluctuations, the Corporation has hedged this risk by purchasing United States dollar forward exchange contracts.

(ii) Pooled bond fund:

The Corporation owns units in a pooled bond fund that has no fixed interest rate and its returns are based on the success of the fund manager and future interest rates.

(iii) Pooled equity fund:

The Corporation owns units in a pooled equity fund that has no fixed interest rate and its returns are based on the success of the fund manager.

(iv) Common shares:

Common shares have no fixed maturity dates and are generally not exposed to interest rate risk. Dividends are generally declared on an annual basis. The average effective rate is 1.8% (1999 - 2.0%).

Common shares include $7,835,000 (1999 - $6,283,000) denoted in United States dollars.

The Corporation's investment policy limits its investment concentration in any one investee or related group of investees to 10% of the market value of the Corporation's common shares. As well, no one holding may represent more than 10% of the voting shares of any corporation.

(v) Mortgages:

The mortgage portfolio consists entirely of Canadian commercial mortgages with average effective interest rates of 7.1% (1999 - 6.9%) with an average maturity of 4.2 years (1999 - 3.2 years). Principal and interest is receivable on a monthly basis.

(vi) Deposit on investment in ICPEI:

Included in investments is a $2,768,000 deposit for the purchase of a 75% interest in the Insurance Company of Prince Edward Island (ICPEI). The purchase transaction will be completed January 2001.

6. NET INVESTMENT IN CAPITAL LEASE

The Corporation, as lessor, has a 37% interest in a lease agreement with Saskatchewan Property Management Corporation, a related party, for a term of 30 years (expiring March 2011) on property in Prince Albert, Saskatchewan. The lease transfers substantially all of the benefits and risks incident with the ownership of the property to the lessee.

The Corporation's net investment in the capital lease includes the following:

	2000	*1999*
	(THOUSANDS OF $)	
Total minimum lease payments receivable ($583,000 per year)	$ 5,977	$ 6,560
Unearned income	(2,251)	(2,635)
Net investment in capital lease	$ 3,726	$ 3,925

The fair value of the net investment in the capital lease is $4,275,000 (1999 - $4,497,000).

Details of significant terms and conditions, exposures to interest rate and credit risks of investments are as follows:

(i) Bonds and debentures:

The Corporation's investment policy limits its investment concentration in any one investee or related group of investees to 10% of the market value of investment assets for corporate bonds and debentures and 20% for bonds and debentures issued by any one province. A minimum of BBB is placed on the investment grade of bonds and debentures that may be purchased.

The carrying value and average effective interest rates are shown below by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties. The carrying values are essentially the same as the principal value and therefore the average effective rates are not materially different from the coupon rates. Interest is generally receivable on a semi-annual basis.

	2000		1999	
Term to Maturity (years)	Carrying Value	Average Effective Rates	Carrying Value	Average Effective Rates
	(THOUSANDS OF $)			
Government of Canada:				
After one through five	$ 29,982	5.9%	$ 28,948	5.8%
After five	34,884	5.7%	55,541	5.8%
Canadian provincial & municipal:				
One or less	–	–	804	5.3%
After one through five	7,390	6.2%	7,078	5.7%
After five	15,382	6.1%	12,588	6.1%
Canadian corporate:				
One or less	–	–	474	6.1%
After one through five	12,295	6.6%	11,404	6.2%
After five	15,205	7.1%	10,986	6.9%
Total bonds & debentures	$ 114,948		$ 127,823	

Included in bonds and debentures above are bonds denominated in United States dollars with a carrying value of $603,000 (1999 – $2,085,000). Principal and interest is receivable on a semi-annual basis in United States dollars. In order to minimize the risk of foreign exchange fluctuations, the Corporation has hedged this risk by purchasing United States dollar forward exchange contracts.

(ii) Pooled bond fund:

The Corporation owns units in a pooled bond fund that has no fixed interest rate and its returns are based on the success of the fund manager and future interest rates.

(iii) Pooled equity fund:

The Corporation owns units in a pooled equity fund that has no fixed interest rate and its returns are based on the success of the fund manager.

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Common shares have no fixed maturity dates and are generally not exposed to interest rate risk. Dividends are generally declared on an annual basis. The average effective rate is 1.8% (1999 - 2.0%).

Common shares include $7,835,000 (1999 - $6,283,000) denoted in United States dollars.

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(v) Mortgages:

The mortgage portfolio consists entirely of Canadian commercial mortgages with average effective interest rates of 7.1% (1999 - 6.9%) with an average maturity of 4.2 years (1999 - 3.2 years). Principal and interest is receivable on a monthly basis.

(vi) Deposit on investment in ICPEI:

Included in investments is a $2,768,000 deposit for the purchase of a 75% interest in the Insurance Company of Prince Edward Island (ICPEI). The purchase transaction will be completed January 2001.

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The Corporation's net investment in the capital lease includes the following:

		1999
	(THOUSANDS OF $)	
Total minimum lease payments receivable ($583,000 per year)	$ 5,977	$ 6,560
Unearned income	(2,251)	(2,635)
Net investment in capital lease	$ 3,726	$ 3,925

The fair value of the net investment in the capital lease is $4,275,000 (1999 - $4,497,000).

7. CAPITAL ASSETS

The components of the Corporation's investment in capital assets, as well as the related accumulated amortization, are as follows:

	2000			1999
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	(THOUSANDS OF $)			
Land	$ 912	$ –	$ 912	$ 912
Building	18,888	10,097	8,791	9,263
Computer hardware, system costs and other equipment	12,933	8,724	4,209	6,820
Total	$ 32,733	$ 18,821	$ 13,912	$ 16,995

Amortization for the year is $2,934,000 (1999 – $3,201,000).

8. PROVISION FOR UNPAID CLAIMS

(i) Nature of unpaid claims:

The establishment of the provision for unpaid claims is based on known facts and interpretation of circumstances and is therefore a complex process influenced by a large variety of factors. Measurement of the provision is uncertain due to claims that are not reported to the Corporation at the year-end date and therefore estimates are made as to the value of these claims. As well, uncertainty exists for reported claims that have not been settled as all the necessary information may not be available at the balance sheet date.

Factors used to estimate the provision include: the Corporation's experience with similar cases, historical trends involving claim payments, the characteristics of the class of business, claim severity and claim frequency such as those caused by natural disasters, the effect of inflation on future claims, court decisions and economic conditions. Time is also a critical factor in determining the provision, since the longer it takes to settle and pay a claim the more variable the ultimate settlement amount will be. Accordingly, short-tail claims such as property claims tend to be more reasonably predictable than long-tail claims such as liability claims.

As a result, the establishment of the provision for unpaid claims relies on a number of factors and on the judgment and opinions of a large number of individuals, which necessarily involves risk that the actual results may differ materially from the estimates.

The Corporation settles some long-term disability claims by purchasing structured settlements from various financial institutions. As part of the settlement, the Corporation provides a financial guarantee to claimants in the event the institutions default on scheduled payments. The net present value of these expected payments as of the balance sheet date total $46,263,000 (1999 – $45,954,000).

Included in the gross provision for unpaid claims is a provision for unpaid reinsurance assumed claims of $15,734,000 (1999 – $17,871,000). The Corporation discontinued its practice of underwriting reinsurance assumed business in 1985, but remains financially responsible for claims run-off on assumed contracts.

Changes in the estimate for the provision for unpaid claims in 2000 and 1999 are as follows:

	2000	1999
	(THOUSANDS OF $)	
Net unpaid claims – beginning of year	[illegible]	$ 103,357
Payments made during the year relating to prior year claims	[illegible]	(34,857)
(Excess) deficiency relating to prior year estimated unpaid claims:		
Direct business	[illegible]	6,161
Reinsurance assumed business	[illegible]	(1,104)
Net unpaid claims for claims of prior years	[illegible]	73,557
Provision for claims occuring in the current year	[illegible]	39,888
Net unpaid claims – end of year	[illegible]	$ 113,445

(ii) Type of unpaid claims:

The provision for unpaid claims is summarized by line of business as follows:

	2000			1999		
	Gross	Reinsurance Recoverable	Net	Gross	Reinsurance Recoverable	Net
	(THOUSANDS OF $)					
Automobile	[illegible]	[illegible]	[illegible]	$ 54,974	$ 3,898	$ 51,076
Property	[illegible]	[illegible]	[illegible]	26,016	4,097	21,919
Liability	[illegible]	[illegible]	[illegible]	23,534	955	22,579
Assumed	[illegible]	[illegible]	[illegible]	17,871	–	17,871
Total	[illegible]	[illegible]	[illegible]	$ 122,395	$ 8,950	$ 113,445

9. EQUITY ADVANCES

The Corporation does not have share capital. However, the Corporation has received equity advances from its parent, CIC, to form its equity capitalization. The advances reflect an equity investment in the Corporation by CIC.

7. CAPITAL ASSETS

The components of the Corporation's investment in capital assets, as well as the related accumulated amortization, are as follows:

	2000			1999
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	(THOUSANDS OF $)			
Land	$ 912	$ –	$ 912	$ 912
Building	18,888	10,097	8,791	9,263
Computer hardware, system costs and other equipment	12,933	8,724	4,209	6,820
Total	$ 32,733	$ 18,821	$ 13,912	$ 16,995

Amortization for the year is $2,934,000 (1999 - $3,201,000).

8. PROVISION FOR UNPAID CLAIMS

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The establishment of the provision for unpaid claims is based on known facts and interpretation of circumstances and is therefore a complex process influenced by a large variety of factors. Measurement of the provision is uncertain due to claims that are not reported to the Corporation at the year-end date and therefore estimates are made as to the value of these claims. As well, uncertainty exists for reported claims that have not been settled as all the necessary information may not be available at the balance sheet date.

Factors used to estimate the provision include: the Corporation's experience with similar cases, historical trends involving claim payments, the characteristics of the class of business, claim severity and claim frequency such as those caused by natural disasters, the effect of inflation on future claims, court decisions and economic conditions. Time is also a critical factor in determining the provision, since the longer it takes to settle and pay a claim the more variable the ultimate settlement amount will be. Accordingly, short-tail claims such as property claims tend to be more reasonably predictable than long-tail claims such as liability claims.

As a result, the establishment of the provision for unpaid claims relies on a number of factors and on the judgment and opinions of a large number of individuals, which necessarily involves risk that the actual results may differ materially from the estimates.

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Included in the gross provision for unpaid claims is a provision for unpaid reinsurance assumed claims of $15,734,000 (1999 - $17,871,000). The Corporation discontinued its practice of underwriting reinsurance assumed business in 1985, but remains financially responsible for claims run-off on assumed contracts.

Changes in the estimate for the provision for unpaid claims in 2000 and 1999 are as follows:

	2000	1999
	(THOUSANDS OF $)	
Net unpaid claims – beginning of year	$ 113,445	$ 103,357
Payments made during the year relating to prior year claims	(39,610)	(34,857)
(Excess) deficiency relating to prior year estimated unpaid claims:		
Direct business	2,820	6,161
Reinsurance assumed business	2	(1,104)
Net unpaid claims for claims of prior years	76,657	73,557
Provision for claims occuring in the current year	42,443	39,888
Net unpaid claims – end of year	$ 119,100	$ 113,445

(ii) Type of unpaid claims:

The provision for unpaid claims is summarized by line of business as follows:

	2000			1999		
	Gross	Reinsurance Recoverable	Net	Gross	Reinsurance Recoverable	Net
	(THOUSANDS OF $)					
Automobile	$ 62,458	$ 2,246	$ 60,212	$ 54,974	$ 3,898	$ 51,076
Property	28,978	2,916	26,062	26,016	4,097	21,919
Liability	18,300	1,208	17,092	23,534	955	22,579
Assumed	15,734	–	15,734	17,871	–	17,871
Total	$ 125,470	$ 6,370	$ 119,100	$ 122,395	$ 8,950	$ 113,445

9. EQUITY ADVANCES

The Corporation does not have share capital. However, the Corporation has received equity advances from its parent, CIC, to form its equity capitalization. The advances reflect an equity investment in the Corporation by CIC.

10. UNDERWRITING POLICY AND REINSURANCE CEDED

The Corporation seeks to reduce losses that may arise from catastrophes or other events that cause unfavourable underwriting results by reinsuring certain levels of risk with other insurers. The policy of underwriting and reinsuring contracts of insurance, in the main, limits the liability of the Corporation to a maximum amount on any one loss as follows:

	2000
	(THOUSANDS OF $)
Dwelling and farm property	$ 350
Unlicensed vehicles	500
Commercial property	1,000
Automobile and general liability	750
(subject to filling an annual aggregate of)	750
Property catastrophe	7,500

The retention limits are unchanged from 1999.

The Corporation evaluates and monitors the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvency. The following table sets out the amount by which reinsurance ceded has reduced the premiums earned, claims incurred, commissions, premium taxes and administrative expenses:

	2000	1999
	(THOUSANDS OF $)	
Premiums earned	$ 10,994	$ 11,175
Claims incurred	2,230	5,629
Commissions and premium taxes	1,409	1,264
Administrative expenses	788	799

11. INVESTMENT EARNINGS

The components of investment earnings are as follows:

	2000	1999
	(THOUSANDS OF $)	
Interest and dividends	$ 15,562	$ 13,755
Realized gain on sale of investments	16,329	7,112
Income from capital lease	385	403
Income from crop hail insurance investment	(710)	239
Investment write down	(997)	(960)
Total investment earnings	$ 30,569	$ 20,549

12. PENSION PLANS

The Corporation has a defined benefit pension plan for certain of its employees that has been closed to new membership since 1980. Current service costs of this plan are charged to earnings on the basis of actuarial valuations, the most recent valuation being as of Dec. 31, 1999.

The actuarial valuation includes a provision for uncommitted and ad hoc benefit increases, and is measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action. The estimate, therefore, involves risks that the actual amount may differ materially from the estimate. Results from the latest valuation as at Dec. 31, 1999, projected to Dec. 31, 2000, and the major assumptions used in the valuation are as follows:

Economic assumptions:	
Discount rate	6.75%
Expected return on plan assets	6.75%
Inflation rate	3.75%
Expected salary increase	4.75%
Post-retirement index	50% of CPI

Plan valuations:	*2000*	*1999*
	(THOUSANDS OF $)	
Fair value of plan assets	$ 54,767	$ 53,190
Present value of accrued pension benefits	50,664	47,942
Plan surplus	$ 4,103	$ 5,248

Financial information:	*2000*	*1999*
	(THOUSANDS OF $)	
Accrued pension liability	$ 3,240	$ 3,056
Pension expense	184	320
Employer contributions	–	–
Employee contributions	103	111
Benefits paid to retirees	2,894	2,630

The Corporation also has employees who are members of the Capital Pension Plan, which is a defined contribution pension plan. The Corporation's financial obligation is limited to matching employee contributions of 5.5% to the plan. The 2000 pension expense and employer contributions for the Capital Pension Plan are $3,106,000 (1999 - $2,940,000).

10. UNDERWRITING POLICY AND REINSURANCE CEDED

The Corporation seeks to reduce losses that may arise from catastrophes or other events that cause unfavourable underwriting results by reinsuring certain levels of risk with other insurers. The policy of underwriting and reinsuring contracts of insurance, in the main, limits the liability of the Corporation to a maximum amount on any one loss as follows:

	(THOUSANDS OF $)
Dwelling and farm property	$ [illegible]
Unlicensed vehicles	[illegible]
Commercial property	[illegible]
Automobile and general liability	[illegible]
(subject to filling an annual aggregate of)	[illegible]
Property catastrophe	[illegible]

The retention limits are unchanged from 1999.

The Corporation evaluates and monitors the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvency. The following table sets out the amount by which reinsurance ceded has reduced the premiums earned, claims incurred, commissions, premium taxes and administrative expenses:

	2000	1999
	(THOUSANDS OF $)	
Premiums earned	$ [illegible]	$ 11,175
Claims incurred	[illegible]	5,629
Commissions and premium taxes	[illegible]	1,264
Administrative expenses	[illegible]	799

11. INVESTMENT EARNINGS

The components of investment earnings are as follows:

	2000	1999
	(THOUSANDS OF $)	
Interest and dividends	$ [illegible]	$ 13,755
Realized gain on sale of investments	[illegible]	7,112
Income from capital lease	[illegible]	403
Income from crop hail insurance investment	[illegible]	239
Investment write down	[illegible]	(960)
Total investment earnings	$ [illegible]	$ 20,549

12. PENSION PLANS

The Corporation has a defined benefit pension plan for certain of its employees that has been closed to new membership since 1980. Current service costs of this plan are charged to earnings on the basis of actuarial valuations, the most recent valuation being as of Dec. 31, 1999.

The actuarial valuation includes a provision for uncommitted and ad hoc benefit increases, and is measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action. The estimate, therefore, involves risks that the actual amount may differ materially from the estimate. Results from the latest valuation as at Dec. 31, 1999, projected to Dec. 31, 2000, and the major assumptions used in the valuation are as follows:

Discount rate	[illegible]
Expected return on plan assets	[illegible]
Inflation rate	[illegible]
Expected salary increase	[illegible]
Post-retirement index	[illegible]

	1999
	(THOUSANDS OF $)
Fair value of plan assets	$ 53,190
Present value of accrued pension benefits	47,942
Plan surplus	$ 5,248

	1999
	(THOUSANDS OF $)
Accrued pension liability	$ 3,056
Pension expense	320
Employer contributions	–
Employee contributions	111
Benefits paid to retirees	2,630

The Corporation also has employees who are members of the Capital Pension Plan, which is a defined contribution pension plan. The Corporation's financial obligation is limited to matching employee contributions of 5.5% to the plan. The 2000 pension expense and employer contributions for the Capital Pension Plan are $3,106,000 (1999 – $2,940,000).

13. RELATED PARTY TRANSACTIONS

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan, and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. Transactions and amounts outstanding at year-end are as follows:

Category	2000	1999
	(THOUSANDS OF $)	
Deferred policy acquisition costs	$ 4,287	$ 3,374
Investments	1,964	1,656
Accounts payable and accrued charges	245	96
Dividend payable	1,770	94
Premium taxes payable	7,974	6,571
Provision for unpaid claims	767	1,162
Unearned premiums	961	988
Premiums written	2,328	2,371
Premiums earned	2,356	2,387
Claims incurred	964	1,742
Premium taxes	7,060	6,561
Administrative expenses	1,688	1,689
Investment earnings	• 62	97

The Corporation acts as administrator of the Fund. Administrative and claims adjustment expenses incurred by the Corporation are allocated to the Corporation and the Fund directly or on the basis of specific distributions. Amounts incurred by the Corporation and charged to the Fund were $68,155,000 (1999 - $66,920,000) and accounts receivable are $2,019,000 (1999 accounts payable - $230,000).

Other related party transactions are described separately in the notes.

14. FAIR VALUES

The following method and assumptions were used to estimate the fair value of each class of financial instrument:

(i) For the following financial instruments the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments:

(a) cash and treasury bills
(b) accounts receivable
(c) accounts payable and accrued charges
(d) dividends payable
(e) premium taxes payable
(f) amounts due to reinsurers

(ii) For the following financial instruments the fair values are considered to approximate quoted market values on recognized stock exchanges, based on the latest bid prices:

(a) bonds and debentures
(b) pooled bond fund
(c) common shares
(d) pooled equity fund

13. RELATED PARTY TRANSACTIONS

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan, and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. Transactions and amounts outstanding at year-end are as follows:

	2000	1999
	(THOUSANDS OF $)	
Deferred policy acquisition costs	[illegible]	$ 3,374
Investments	[illegible]	1,656
Accounts payable and accrued charges	[illegible]	96
Dividend payable	1,770	94
Premium taxes payable	[illegible]	6,571
Provision for unpaid claims	[illegible]	1,162
Unearned premiums	[illegible]	988
Premiums written	[illegible]	2,371
Premiums earned	[illegible]	2,387
Claims incurred	[illegible]	1,742
Premium taxes	[illegible]	6,561
Administrative expenses	[illegible]	1,689
Investment earnings	[illegible]	97

The Corporation acts as administrator of the Fund. Administrative and claims adjustment expenses incurred by the Corporation are allocated to the Corporation and the Fund directly or on the basis of specific distributions. Amounts incurred by the Corporation and charged to the Fund were $68,155,000 (1999 - $66,920,000) and accounts receivable are $2,019,000 (1999 accounts payable - $230,000).

Other related party transactions are described separately in the notes.

14. FAIR VALUES

The following method and assumptions were used to estimate the fair value of each class of financial instrument:

(i) For the following financial instruments the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments:

- (a) cash and treasury bills
- (b) accounts receivable
- (c) accounts payable and accrued charges
- (d) dividends payable
- (e) premium taxes payable
- (f) amounts due to reinsurers

(ii) For the following financial instruments the fair values are considered to approximate quoted market values on recognized stock exchanges, based on the latest bid prices:

- (a) bonds and debentures
- (b) pooled bond fund
- (c) common shares
- (d) pooled equity fund

(iii) Mortgages

The fair value is calculated by discounting scheduled cash flows through to the estimated maturity of the mortgage using current interest rates.

(iv) Net investment in capital lease

The fair value is calculated by discounting scheduled cash flows through to the estimated expiration of the lease using current interest rates.

(v) Provision for unpaid claims and unpaid claims recoverable from reinsurers

The fair value of the provision for unpaid claims and unpaid claims recoverable from reinsurers has been omitted because it is not practicable to determine fair value with sufficient reliability (note 8).

Cec Caldwell Building Maintenance Technician I, Saskatoon Central Claims, was known as a sociable person who was always willing to discuss whatever issues his colleagues had on their minds. Cec passed away March 29, 2000, at the age of 47.